

WHATCOM COUNTY, WASHINGTON  
January 1, 1995 Through December 31, 1995

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Schedule Of Findings

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1. The Whatcom County Health Department Should Properly Account For State Supplied Vaccines

During the course of our audit, we noted the following instances of noncompliance in the health department immunization program:

- a. The Whatcom County Health Department immunization program did not retain all prepared state supplied vaccine inventory reports and supporting records. The discarded reports and records are necessary for supporting required monthly vaccine accountability reports submitted to the Washington State Department of Health.
- b. The Whatcom County Health Department immunization program did not adequately investigate or resolve variances noted on the monthly state supplied vaccine inventory report. Without the supporting records we are unable to follow up on these variances.

The *Revised Code of Washington* (RCW) 43.09.200 states:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . .

The *Record Retention Manual for Health Districts and Health Departments*, HD-3-5-1, Biologic, prescribed by the Washington State Records Committee requires the "Distribution and inventory record of drugs used in disease control" be retained for a period of seven years.

The *1995 Consolidated Contract No. 9920-03230*, Exhibit C, Section G, Goal 5, Method No. L40.1B between the Washington State Department of Health and the Whatcom County Health Department requires the department to:

Account for all vaccine distributed . . . to private providers and community clinics by antigen, lot number, manufacturer, expiration date, and doses administered by age.

The lack of these supporting documents prevented us from determining whether or not the department properly accounted for unissued, issued, and expired state supplied vaccines. Additionally, the lack of these supporting documents prevented us from determining the cause of frequent vaccine inventory variances.

Immunization program staff were not aware these records were to be retained. Staff indicated these records could be obtained from external sources and recreated but subsequently indicated they failed to see the need to do so. Additionally, staff indicated that follow up of consistent errors made by private providers was performed, although appropriate supporting documentation may not have been retained. They intend to become more accountable for state supplied vaccines in the future.

We recommend the county ensure all records are safeguarded and retained in accordance with applicable records retention requirements and these records be available for audit. We also recommend the county investigate state supplied vaccine inventory variances.

2. The Whatcom County Health Department Billing And Accounts Receivable Systems Controls Should Be Improved

The following internal control weaknesses were noted in the Whatcom County Health department's various billing and account receivable systems:

- a. Controls do not exist to ensure all services provided or permits issued are properly recorded or appropriately billed.
- b. Monthly reconciliations between the patient billing system's computerized subsidiary ledger and the control account are not sufficiently documented.
- c. A control account does not exist for the environmental health billing system.
- d. No reconciliations are made between the environmental health billing system and payments receipted through the cash register.
- e. Patient accounts are written off the system without any review or approval by county officials.

The *Revised Code of Washington* (RCW) 43.09.200 states:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

Failure to maintain adequate internal controls in the health department billing systems increases the risk errors or irregularities could occur and not be detected in a timely manner, if at all.

The county had not considered the risks associated with the weaknesses identified. Management has since recognized the problems associated with the current patient billing system and anticipate future implementation of controls to address these weaknesses.

We recommend:

- a. Controls be implemented to ensure all services provided are properly recorded and appropriately billed.
- b. Monthly reconciliations between the patient billing system's subsidiary ledger and the control account be sufficiently documented.
- c. A control account for the environmental health billing system be established and maintained.
- d. Periodic reconciliations be made between the environmental health billing system's subsidiary ledger and control accounts.
- e. Patient accounts to be written off the system receive proper review and approval by county officials.

3. The Whatcom County Public Works Department Should Follow County Policies And Procedures When Purchasing And Surplusing Materials

During the course of our audit, we noted the following instances of noncompliance in purchasing and surplusing of materials by the Whatcom County Public Works Department:

- a. The county did not follow proper surplus and contracting procedures for the exchange of surplus pea gravel from the county's Able Pit. The county public works department determined they had a surplus of pea gravel resulting from their operations at the Able Gravel Pit. The county council declared the pea gravel surplus by Resolution No. 95-135. This resolution called for bids for the purchase of the pea gravel. Two bids were received which offered an exchange of materials. According to county records, both bids were rejected. It was later determined a verbal agreement was entered into between Pacific Concrete and the county public works department's fleet manager. This agreement called for the county to pick up 5/8 inch crushed material from Pacific Concrete in exchange for the pea gravel. The county would be charged \$7.25 per yard for the crushed rock and would receive a credit of \$3.90 a yard for the pea gravel. The total contract, which exceeded \$10,000, was not submitted for county council approval.
- b. The county purchased pit rock from Aggregates West Inc., in the amount of \$2,624.93 and road base from Construction Aggregates LTD in the amount of \$4,317.16. Neither of these vendors had submitted bids for the specific materials purchased. The county purchase requisition identified the purchase from Construction Aggregates LTD as a sole source purchase; however, the county has used other sources in the past. The county did not document why pit rock was purchased from Aggregates West Inc., rather than one of the vendors selected during the annual bidding process.

*Whatcom County Code* (WCC) 3.08.060, Bids and proposals required, states in part:

Bids or proposals must be submitted in response to specifications and invitations to bid for all contracts and purchases or leases of supplies, materials or equipment involving funds of \$10,000 . . . .

*Whatcom County Policies and Procedures*, Section 2.2.011, states in part:

All purchases must follow bid requirements established by WCC . . . .

The failure to follow the county code and county policies and procedures is the result of county personnel's lack of knowledge of the county code and county policies and procedures regarding bid requirements. The county's failure to follow their own bid requirements, per the county code and county policies and procedures, results in inequitable treatment of vendors and may have resulted in the county overpaying vendors for materials received. Furthermore, the failure to ensure agreements are in writing may result in conflicts between the county and the other party over their respective responsibilities.

We recommend the county strictly adhere to established policies and procedures over bids and surplus materials. We further recommend all contracts be in writing and contracts greater than \$10,000 receive council approval.



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Schedule Of Federal Findings

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1. The Fixed Asset Recording System Should Contain Information Required By Federal Grant Requirements And The Fixed Asset Control System Should Be Strengthened

As noted during prior audit reports, the county's fixed asset system had the following control weaknesses:

- a. The county's fixed asset records do not identify the source of funds used to acquire assets, who holds title to the property, or information on the disposition of the assets.
- b. The county's system does not ensure all assets are tagged to identify them as county property.
- c. The county did not perform a complete physical inventory of fixed assets during 1992, 1993, 1994, and 1995.
- d. The county does not maintain an accurate subsidiary fixed asset ledger with which to reconcile yearly physical inventory counts. The inaccuracies noted were adjusted on the county's financial statements.
- e. The county lacks a system for approving and recording all fixed assets determined to be ready for disposal and often does not delete fixed assets from the detailed accounting records upon disposal. In addition, the county does not have an adequate system for reducing the related account in the general fixed asset account group when assets are contributed to the Equipment Rental Fund.

At the time of our audit the county had not addressed the weaknesses noted above.

The *Revised Code of Washington* RCW 43.09.200, Local Government Accounting - Uniform System of Accounting, states in part:

The accounts shall show the receipt, use, and disposition, of all public property . . . .

RCW 43.09.200 requires the State Auditor to prescribe uniform accounting systems. The State Auditor prescribes the *Budgeting, Accounting and Reporting System* (BARS) manual which states, in Volume 1, Part 3, Chapter 7, page 7:

Accountability for fixed assets is required of all local governments, regardless of size. In addition, fixed asset accounting is required for cities and counties of over 8,000 population . . . .

The BARS manual, Volume 1, Part 3, Chapter 7, page 17 further states:

An adequate fixed asset accounting system will enable your government to meet statutory requirements, to produce adequate records and reports, and to safeguard assets properly.

Additionally, for any fixed assets purchased by the county using federal funds, the "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* prescribed by the U.S. Office of Management and Budget (OMB), Subpart C, Section .32(d), Management Requirements, states in part:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Article IV, Section 1.10.140 of the *Whatcom County Code* states in part:

Each county department head shall submit annually to the county purchasing agent an inventory, current as of a date set by the property management committee, of all county-owned personal property . . . .

The county did not allocate sufficient resources to implement the necessary internal controls and accounting procedures to properly account for fixed assets. The county has implemented a new general ledger system, but has not yet brought the fixed asset system on-line.

The county's lack of adequate accounting procedures and internal controls over fixed assets results in the possibility of errors and irregularities occurring and not being detected in a timely manner, if at all. In addition:

- a. Lacking a system to identify fixed assets acquired with federal funds, and therefore, the final disposition of such property, the county cannot comply with the requirements of the "Common Rule." These deficiencies can impair the county's eligibility for future assistance.
- b. Without an adequate system to tag assets, the county loses control over the accountability for these assets.
- c. Failure to perform physical inventories limits the county's ability to determine if all assets in the accounting records are still in the county's possession.
- d. Without maintaining an accurate subsidiary ledger the county is unable to ensure assets are recorded properly and are accurately reported in their financial statements.
- e. Without adequately tracking deleted assets, the county cannot determine the reason for missing assets (i.e, stolen, sold, etc.) and cannot determine if assets are accurately reported on their financial statements.

We recommend the county strengthen the fixed asset internal control system to ensure county property is adequately safeguarded and accounted for. We further recommend the county develop a fixed asset accounting system capable of demonstrating compliance with federal grantor requirements.